



# The effects of transaction-specific satisfactions and integrated satisfaction on customer loyalty



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## ARTICLE INFO

### Keywords:

Transaction-specific satisfaction  
Integrated satisfaction  
Customer loyalty  
Integrated resort

## ABSTRACT

Integrated resorts provide different leisure services including casinos, hotels, food and beverage (F&B), and shopping. Tourists staying in an integrated resort would experience a wide range of transactional services. This study aims to investigate the relative influence of each transactional service on the level of integrated satisfaction within an integrated resort and their effects on customer loyalty. Partial least squares analysis is used to analyze the data collected from 601 tourists in Macau. The main findings are as follows: integrated satisfaction is influenced by transaction-specific satisfactions in different levels; integrated satisfaction has a strong direct influence on customer loyalty; and integrated satisfaction has a fully mediating effect on F&B satisfaction/customer loyalty, a partially mediating effect on hotel and casino satisfaction/customer loyalty, and a partially mediating and moderating effect on shopping satisfactions/customer loyalty.

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## 1. Introduction

An integrated resort is characterized as a specifically designed multi-dimensional tourism attraction with facilities located within one resort with the intention of encouraging visitors stay and spend in the resort without the need of external supplies (Inskip, 1991; Stanton and Aislabie, 1992; Wall, 1996). Outwardly it may resemble an all-inclusive resort because of the range of services that it provides; however, it differs in one crucial way, namely that customers pay or at least sign for services as they consume them. In contrast, in an all-inclusive resort the customer pays for all goods and services up front and in advance. The gaming industry created the idea of an integrated resort as a means to attract new customers and to encourage existing gamblers to diversify their spending habits by providing comprehensive entertainment centers, which include both gaming and non-gaming activities (IGWB, 2008). Integrated resorts typically house different leisure businesses such as casinos, hotels, food and beverage (F&B) services, shopping malls, and are venues for various kinds of live shows ranging from sporting fixtures to pop concerts. The success of The Venetian in Macau has encouraged other destinations to follow suit in Asia, notably

Marina Bay Sands in Singapore and Solarire in The Philippines. Existing studies on integrated resorts mainly focus on design and construction (Andriotis, 2008; Lee and Hou, 2011), and questions of sustainability and their impact on the communities (Nunkoo and Ramkissoon, 2010), but somewhat less on customer loyalty and their fast expansion and unique business features indicates that this should be a rewarding area of study (So et al., 2011).

Customer satisfaction and loyalty have been studied for decades especially in hospitality and tourism (Golder et al., 2012), but most studies only examine customer satisfaction and loyalty in a particular service such as F&B service (e.g. Heung, 2002; Namkung and Jang, 2008; Pareigis et al., 2011; Ramanathan and Ramanathan, 2011), hotel service (e.g. Choi and Chu, 2001; Kim et al., 2009; Ramanathan and Ramanathan, 2011; Yilmaz, 2009), and casino service (Johnson et al., 2004; Lam et al., 2011; Richard, 1997; Wong and Fong, 2012). Since it seems likely that tourists view an integrated resort as a single entity that provides all the services on offer, tourists staying in an integrated resort would experience all transactional services and their satisfaction relating to each individual service transaction may affect their overall satisfaction with that resort. Thus their sense of satisfaction with an integrated resort may ultimately influence their customer loyalty toward the resort itself. This study fills a gap in the literature as it examines the relationship among transaction-specific satisfaction, integrated satisfaction, and customer loyalty toward an integrated resort.

The need for this research is justified for three reasons. First, customers may experience more than one particular product or service

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from different providers within the same entity. It is argued that the integrated satisfaction with that entity will affect customer loyalty toward entity given resort. However, the consumption of a range of services with the same resort setting has hardly been investigated in terms of customer loyalty in the research literature, though it is very much a commercial reality. This study contributes a research model for understanding the formation of customer loyalty that arises from consuming a range of services within a single resort.

Second, there are two different conceptualizations of customer satisfaction: transaction-specific satisfaction and overall satisfaction (Johnson, 2001). Transaction-specific satisfaction refers to satisfaction with individual service transactions and overall satisfaction is the result of satisfaction with a series of transactions occurring during the service process (Johnston, 1995). To take account of the growth of integrated resorts, this study introduces a new form of satisfaction, which the authors refer to as 'integrated satisfaction' that can be described as the overall satisfaction with an entity which facilitates more than one product or service for the customers. This integrated satisfaction may play significant mediating and moderating roles between transaction-specific satisfaction and customer loyalty. This study tries to explore these relationships and these findings should enable for marketers to formulate appropriate strategies for more efficient forms of leveraging resources in order to retain customer loyalty.

Third, some people argue that an integrated resort is a euphemistic term for a casino and if this is the case then tourists' satisfaction with casino should be the dominating factor in terms of their customer loyalty to the resort. However, this study takes the view that these entities are complex providers of a range of services within which casinos play an important but not necessarily a dominant role. The central argument of the study is that an understanding of the interlinked services consumption has management implications, not least with regard to marketing and the search for new customers and the retention of existing ones.

## 2. Literature review

### 2.1. Transaction-specific satisfaction and overall satisfaction

There is a consensus that business success in hospitality and tourism is closely linked to the creation of customer satisfaction, but to date, the definition of tourists' satisfaction is still imprecise and appears not to have a single universally valid meaning (Yuksel and Yuksel, 2008). In Yuksel and Yuksel's (2008) summary of consumer satisfaction theories, early satisfaction theory is linked to dissonance theory (Festinger, 1957) which examines how effort and expectation affected the evaluation of products and levels of satisfaction (Cardozo, 1965; Engel et al., 1973; Howard and Sheth, 1969). It was suggested that dissonance occurred when a customer, who expected a high-value product, received a low-value product. This theory is not well accepted and its validity and reliability has been questioned (Oliver, 1997; Yi, 1991). Succeeding studies employed assimilation-contrast theories (Sherif and Hovland, 1961) to suggest that consumers will manipulate and tolerate discomfort to a certain point, and dissatisfaction will occur when this threshold of rejection is reached (Anderson, 1973; Olshavsky and Miller, 1972). The problem with this theory is that its results are derived from laboratory settings with simple products, such as ballpoint pens, and its relevance to more complex forms of consumption is doubtful (Oliver, 1997).

Oliver (1997) argued that customer satisfaction is "the summary psychological state resulting when the emotions surrounding disconfirmed expectations are coupled with the consumer's prior feelings about the consumption experience" (p. 306). The widest

supported view of satisfaction in tourism is a collectively evaluated total consumption experience in three levels: the overall satisfaction, the dimensional satisfaction, and the product-service satisfaction (Yuksel and Yuksel, 2008). This evaluation process is more dependent on an individual tourist's situational decision making.

Transaction-specific satisfaction as dimensional satisfaction often refers to a customer's evaluation of the transaction process with a product or service based on his or her desires, needs, or goals (Agustin and Singh, 2005; Olsen and Johnson, 2003; Tuu and Olsen, 2010). This term is often interchangeable with 'encounter satisfaction' in service marketing and is defined as a customer's perception of a service providers' performance, both tangible and intangible, during a direct interaction with them within a given time frame (Walker, 1995). Andaleeb and Conway (2006) applied the transaction-specific model to examine customer satisfaction in the restaurant industry and identified three transaction-specific factors, namely service quality, product quality, and price. They found that a customer's transaction-specific satisfaction was influenced by front line staff performance, price and food quality. Veloutsou et al. (2005) compared transaction-specific satisfaction in fast food industry across cultures. They demonstrated that common measures for transaction-specific satisfaction can be used to gauge the relative service satisfaction effectiveness across international boundaries. Agustin and Singh (2005) tested the determinants of customer loyalty by focusing on transaction-specific satisfaction, trust and value. They conducted their research in the context of retail clothing purchases and nonbusiness airline travel, and their results show that transactional satisfaction has both direct and indirect effects on loyalty.

Some researchers developed multi-attribute scales for measuring transaction-specific satisfaction for a hospitality service (e.g. Li et al., 2012) because multi-item measures have demonstrated empirically based levels of scale reliability (Veloutsou et al., 2005). However, some researchers preferred to use a simple question such as "Overall, how satisfied are you with...?" to measure overall satisfaction of a service (e.g. Su, 2004). In general, overall satisfaction is a more stable construct than transaction-specific satisfaction (Parasuraman et al., 1994), thus marketers like to measure overall satisfaction rather than item-specific satisfaction to predict loyalty (Oh, 1999) because customers rely on all of their experiences to date when deciding what to buy or recommend to others (Olsen and Johnson, 2003).

### 2.2. The relationship between transaction-specific satisfaction and overall satisfaction

Previous studies described in above section regarded transaction-specific satisfaction and overall satisfaction as two separate concepts; researchers either apply transaction-specific satisfaction or overall satisfaction to measure the construct of customer satisfaction and seldom link these two concepts together. This changed with Jones and Suh's (2000) study which examined the relationship among the constructs of transaction-specific satisfaction, overall satisfaction, and repurchase intentions. Jones and Suh (2000) argued that the relationship among three constructs existed in three alternative structures (see Fig. 1). In model A, transaction-specific satisfaction influences repurchase intentions through the mediator of overall satisfaction. In model B, transaction-specific satisfaction directly influences repurchase intentions; overall satisfaction partially mediates transaction-specific satisfaction and impacts on repurchase intentions. Model C is a combination of models A and B. It is also worth noting that overall satisfaction also acts as a moderator of transaction-specific satisfaction and repurchase intentions. Jones and Suh (2000) found that all models are confirmed with a preference for model B as

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